

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7523

Implementation of Standard Offer Prices for Sustainably)
Priced Energy Enterprise Development (“SPEED”))
Resources)

Green Mountain Power Corporation
PRELIMINARY STATEMENT ON ISSUES LIST

This filing sets out Green Mountain Power Corporation’s (“GMP”) preliminary position on the issues identified in the Public Service Board’s (the “Board” or “PSB”) Issues List as circulated to parties by memorandum dated June 26, 2009.

Renewable Cost Issues

1. Gathering data on costs of different renewable sources

- a. Is there publicly available information that the Board can rely upon? If so, how can we access and apply the information?

GMP: While there is a vast amount of public information available, GMP would caution that it is subject to wide variation and varying degrees of relevance. Additionally, sorting through such information and determining its application in this case is probably not possible in the timeline proscribed by the legislation.

- b. Do earlier Board dockets provide useful cost data on renewable energy projects? If so, which ones and what data?

GMP: To the extent that recent Board dockets and/or 248 applications have included cost data or contract prices for renewable energy projects it may be helpful in this exercise For example, if the Board has a recent record on the prices utilities have paid wind developers for in-state projects this could be helpful as the Board evaluates the statutory prices for that resource type, even at smaller scales.

- c. If not, should we require information from all developers/vendors?

- d. Confidentiality - should some data be protected? If so, how do other parties evaluate?

GMP: In our experience most of the highest quality commercial data can only be obtained under confidentiality agreements where other parties would not be able to access this information.

- e. Will electric utilities be required to disclose their cost of renewable energy projects that they construct?

GMP: We have no problem providing this information to the Board to determine the appropriate standard offer prices and generally the Board will have access to this information as it pertains to cost of service. However, some project details may need to be filed under seal because of confidentiality requirements of counterparties and vendors.

2. Evaluation of data

- a. The Board is considering hiring a contractor to assist with data development and analysis. Are there any issues with this approach?

GMP: We have no concerns as long as the consultant's work is transparent and the parties are afforded an opportunity to review their contribution and conclusions.

- b. What process should the Board employ to obtain input from developers/vendors and other stake holders?
- c. What is the standard of review that the Board should employ when looking at cost data? Should the Board only alter the statutory prices if it finds a major difference?

GMP: Given the limited time for the Board's review in this docket it is likely that a complete evaluation of the suitability of the statutory prices is constrained. This could limit price alteration unless the Board believes the difference will have a meaningful effect on ratepayers. However, GMP believes that the Board should recognize that the interim rates are unlikely to remain reasonable beyond a very brief window in time and focus considerable efforts in to address this shortcoming in Docket 7533.

- d. How will the Board determine whether new deployment or the pace of new deployment of renewable projects is occurring as a direct result of the Standard Offer?

3. What level of granularity should prices have? One for each type of resource, or different prices based upon certain characteristics?
 - a. If we aim for granularity, is there enough data to support each set of prices?
 - b. What costs, and thus prices, of different capacity sized plans of the different renewable resources should be addressed?
 - c. What is the appropriate capacity differentiation?
 - d. How will the Board determine the price for each type of technology?

4. How do we value the tax credits and other support, such as grant programs?
 - a. What credits and grants are available?
 - b. Should standard offers differentiate between plants that can and cannot take advantage of tax credit(s) available?

GMP: The Board should value the support available to projects as they determine appropriate standard offer prices. The form and magnitude of these incentives are often well summarized on various state, federal and renewable information websites and databases. With respect to tax credits it may be appropriate to differentiate based on taxable status, but only in the event that a project can demonstrate that it was unable to make use of or find a relationship with a taxable entity.

5. How should the Board value the cost of any system impact or facilities or stability studies required in order to interconnect? In particular, does this create a barrier for smaller projects?

GMP: The Board should include reasonable estimates of typical costs and include them in the Standard offer rates. However, individual project costs should be paid by the project developer. This will ensure that proposed projects are submitted with respect to system location and the evaluation resources required to study the impacts.

Generally, smaller projects will not be unduly burdened by studies as impacts tend to diminish with project size and studies become less expensive.

- a. What share of the interconnection costs should be borne by the project developer?

GMP: Same as above.

6. How should the Board determine the return on equity for purposes of setting a standard rate?
 - a. What proportion of the cost should be assumed to be equity?
7. How should the Board calculate the adjustment factor so that prices are high enough, but not excessive?
 - a. Should this adjustment factor incorporate an incentive associated with production at the most valuable times (i.e., peak) or associated with the geographic location of the generation unit (i.e., constrained areas)?
8. How should the Board incorporate wheeling charges for power purchased pursuant to a standard offer contract?
 - a. Can these charges be minimized or avoided and still be consistent with FERC requirements?
 - b. If strategies can be developed to minimize or avoid wheeling charges, will they be precedential and what are the long-term policy implications?
 - c. Should system avoided losses be incorporated as well?
 - d. Do FERC requirements apply in the case of distribution connected generation?

GMP: We believe it is important for the Board to be mindful of the many potential FERC transmission regulations that may come into play with respect to physical power purchases. The Board should seek guidance from FERC counsel in addressing these questions as rulings may have changed with respect to wheeling since the determination in the VEPPI projects. In addition, the VT company transmission tariffs exist as stubs within the ISO New England transmission tariff so there may be requirements stemming from the common tariff provisions that will affect a project.

Implementation Issues

9. Under the statute, the utilities receive RECs associated with SPEED projects.
 - a. Should the owner be required to apply for RECs and, if so, for resale into what markets?
 - c. Should the producers have affirmative obligations to work with the utilities to assist in the sale and retirement of RECs and other attributes associated with power purchased under a standard offer contract?

GMP: While the project owners should not be required to apply individually for RECs, they should be required to assist the SPEED facilitator to register

RECs in the applicable state, regional, or national markets to the extent that this registration will be beneficial to ratepayers.

- d. Should the attribute be tracked in the NEPOOL GIS?
- e. Should the Board create a mechanism to ensure that REC's are not claimed by more than one party?

GMP: This should not be necessary if the SPEED facilitator is charged with administering the transfer of RECs (when registered) and they are tracked in an appropriate system like the NEPOOL GIS.

- f. How will we ensure that those developing projects are given adequate notice that participation in the standard offer program limits their ability to make claims regarding on-site renewable energy use?

GMP: To the extent that this is not readily apparent in the statute, the Standard Offer contract should state this explicitly.

- 10. Similarly, for capacity, ancillary services and other products including emerging products, are there any steps that need to be taken to assure that utilities receive any associated payments or credits?

- a. Should the asset be administered in the ISO system or remain outside the ISO system and be treated as a load reducer?

GMP: The asset should remain as a load reducer outside the ISO system.

- 11. Project Eligibility Issues

- a. What steps must a developer take to qualify for the rates in effect at a particular point in time? Contract? Construction? CPG? Letter of intent? Who will manage the queue?

GMP: For the interim period beginning September 30th, developers must follow an interim qualification process. The process shall not be designed to deter, or slow developers from applying, but adds responsibility to the developers to define a clear plan to move a project to completion.

Once the interim period has ended, the process should follow the Solicitation Process (auction, RFP,...). Additional details on this process can be found at Q #22.

- b. What process should the Board put in place to allow developers who want to put projects into service if the interim rates are set in September? Should the Board develop a separate project queue for such projects? Would this be consistent with the statute?

GMP: See above, the Board should follow a set qualification process

- c. How long can a developer hold a rate, or their spot in the queue?

GMP: In the interim period, the developer will set a schedule with specific milestones. Failure to meet this schedule will result in disqualification from the queue. During a solicitation process, a similar schedule will be used. In any manner, the process should be transparent, and avoid significant administrative burdens.

- d. Should there be two queues, one for rate, and one for interconnection?
- e. Should there be formal eligibility requirements for contract award or participation in the program? If so, what should these eligibility requirements be? Should they vary by technology?
- f. Given the limits on the program size is there need to prevent strategic behavior (e.g., hoarding of contracts or project queue positions)? If so, how can this be done without creating excessive barriers to entry? Should some form of security be required or the proponent be required to demonstrate that they have advanced the development of the project?
- g. How should the Board address the fact that the standard offer must be in place until 50 MW have been commissioned (not approved)? Does the standard offer need to contain provisions so that only the first 50 MW qualify for the rates?
- h. Should the Board reserve a portion of the 50 MW for smaller projects or projects from particular types of resources? What shares should be so reserved?
- i. How should the Board factor in utility projects (that may reduce the 50 MW maximum)?

GMP: Subdivision (g)(2) of the statute defines the treatment of retail electric utility owned or operated projects. Each company will pay their pro rata share of the project. The retail electric utility that owns or operates the plant, shall count its load share percentage of that plant towards its total obligation. For example, if GMP's load share in VT is 36%, and GMP constructs a 1 MW plant, 36% of that plant, (or 360KW), will be applied to GMP's total cap requirement.

- i. Should the entire project count towards the owning utility's cap, or should only their load share (percentage) count toward the cap?

- j. Can existing facilities, such as net metering projects, qualify for the new SPEED rates? Should refurbished projects or the output from expanded projects be able to participate?

GMP: Standard Offer rates should only be available for new generation.

- k. On a going-forward basis, what is the interrelationship between the Standard Offer Contract and the SPEED and net-metering programs?
- l. Should the Board set a minimum kW size to qualify?
- m. Should the Board set qualifications criteria that are inclusive of residential scale systems?

GMP: We believe that smaller renewable projects are best directed to the net metering programs; the standard offer contracts are oriented toward resources that will allow for a meaningful progress toward the statutory goals. Additionally, as standard offer imposes many more administrative requirements on a project, the Board, and the SPEED facilitator, it is appropriate to direct resources to those projects, that would normally not qualify for, the net metering program.

- 12. How should future renewable energy technology be considered or addressed?
- 13. Interconnection. Is it necessary or appropriate to revise the Board's interconnection rule for smaller (150 kw or less) renewable projects?

GMP: GMP feels that all size projects should adhere to Rule 5.500, including Appendix A from Rule 5.100. The Fast Tracking process in rule 5.500 will allow for the smaller projects to pass through with less burdensome studies as appropriate., However, Rule 5.100 allows the utility discretion to assure reliability and safety of the electric system to the public and employees.

- a. Should the Board reconsider its net-metering interconnection standards under Rule 5.100 and the terms and conditions of the interconnection Rule 5.500 to create a unified interconnection standard for all interconnected electric generation?
- b. Should interconnection of projects with a capacity of 250 kW and less follow the net metering rule?
- c. Should there be a different interconnection rule for different technologies?

14. What, if any, standard should the Board adopt for metering and reporting of SPEED projects eligible for the cost-based pricing under a Standard Offer Contract?

GMP: Revenue quality metering will be necessary, especially for REC qualification. Interval data on an MV 90 system or similar may be required. The contract and interconnection agreement should ultimately dictate the specific metering requirements for each installation, using a standard metering “package” as much as possible.

- a. Who will be responsible for metering and reporting in connection with standard offer power allocated by the SPEED Facilitator to utilities?

15. The statute specifies that the term of the contract varies from 10 to 25 years. Who should decide on the duration?

GMP: During the interim period the Board should have discretion for the contract terms. Following the interim period, the solicitation process will allow developers to bid a price a duration, which the Board can ultimately have discretion over.

16. Do all projects have to apply under Title 30, Section 248 (or 248(j))?

GMP: All projects entering into the Standard Offer would need a CPG. The means applying for the CPG can be staged for certain size projects. As an example, less than 150KW, could apply through a similar form as Net Metering.

- a. Do all projects apply under Board Rule 5.500?

GMP: Yes, as stated in question 13, all projects should follow the 5.500 process.

- b. Is the Board prepared to handle a large quantity of Section 248 or 248(j) dockets, and is there potential to delay other Utility 248 requests for infrastructure upgrades?

- b. Is the applicant subject to the standard rate at the time of application or approval in the event of an unusual delay in granting a Section 248 permit?

GMP: A qualification should be determined that allows a developer to qualify for the standard offer rate before applying for the Certificate of Public Good.

17. Should this proceeding address the development of a Section 248 permitting process for standard offer plants that is similar to what is done for net metered systems? If so, what is the appropriate avenue for developing such a review process?

GMP: The actual Net Metering application could be sufficient for the smaller projects, but keeping in mind that all projects must still follow Rule 5.500 for interconnection.

18. If farm methane projects are allowed to retain ownership of the RECs:

a. Will this require a separate standard contract for farm methane projects?

GMP: Yes, a separate contract will be necessary.

b. Should the value of the RECs be included in determining an appropriate rate for methane projects?

GMP: Yes. If a solicitation method is used as below, the REC's will be part of the overall price.

19. The eligibility date for standard offer contracts for non-utility-owned plants is not clearly listed in the statute, thus the PSB may need to make a determination on the eligibility date for non-utility plants as soon as possible.

a. What date should be selected?

GMP: For sake of consistency, it should be set the same as the Utility Owned Plants.

c. What criteria should the Board employ in determining an eligibility date?

d. How should this Board establish, as quickly as possible, parameters that will enable project development to continue without a construction season hiatus while we work out the standard offer program process?

20. The law establishes a 2.2 MW size limit on projects.

a. Does this prohibit expanding a project if it is eligible for feed-in rates?

GMP: This should not prohibit the expansion of a project as long as the project does not exceed 2.2MW, and the expansion goes through the required application / permitting process. Care must also be taken if the rate has changed since the initial project was in service, as multiple metering may be required.

b. Could a developer, at a later date, add additional solar panels or wind turbines to an existing SPEED project?

GMP: Yes, see answer to 20 (a).

21. What process should the Board use, and what standards should the Board rely on, to determine where "equity requires" that a retail electricity provider be relieved, in whole

or in part from standard offer purchases, if it makes a showing that it receives at least 25% of its energy from qualifying SPEED resources?

22. Would an auction mechanism be a useful means for determining the rates necessary to meet the statutory directive that requires a price “sufficient . . . for the rapid development and commissioning of plans and does not exceed the amount needed to provide such an incentive”?

GMP: Yes. Green Mountain believes that the use of an auction or other standardized procurement mechanism (RFP, call for tenders) would be useful for purposes of easing the administrative burden on the Board, creating a fair means to evaluate proposals, and excluding projects that do not represent the prevailing cost structure for their technology or scale.

This past fall CVPS, GMP, and VEC issued a Joint Utilities RFP that solicited proposals across a wide range of technology and duration. We were very pleased with the diversity and thoughtfulness of the many companies that responded, including companies that proposed projects that would now be eligible for the SPEED Standard Offer. We believe that a similar solicitation process would allow the Board to address many of the requirements in the statute (and many of the questions in these dockets) such as simultaneous consideration of project cost data, sufficient participation, technology value, and project queue. GMP would be pleased to provide additional information on how the Joint Utilities RFP worked or more generally provide details on how an RFP or auction process could be useful here.

SPEED Contract/Facilitator Issues

23. SPEED Facilitator. Board rules limit the SPEED Facilitator’s ability to enter into contracts. Do these need to be amended? Or has the statute obviated the need to change the rule? Can the matter be resolved through an order issued in this investigation?
24. SPEED Facilitator standard contract. What should a standard contract contain?

GMP: Green Mountain Power is prepared to take part in the sub-committee to discuss these details.

- a. Can we use the VEPPI contracts as a model?
- e. What reporting requirements should be included?

25. How should the costs of the SPEED Facilitator be apportioned between developers and utilities?

a. Should the allocation be 50/50 as in the small power arrangements?

GMP: Yes, allocation should follow small power arrangements with a 50/50 split.

b. How would this allocation occur for small projects?

GMP: See response to 25(a).

26. What skills/expertise should the SPEED facilitator have? For example, should the SPEED facilitator have deep knowledge of the NEPOOL GIS system for tracking attributes of a project?

27. Will all Standard Offer generation projects be treated the same way as far as paying costs for metering, transformers, losses, data collection, etc. or will there be different rules for smaller generators, and if so where will the cutoff be?

GMP: To maintain consistency, and avoid unnecessary administrative burden, all projects should be treated the same way for operational costs.

28. What contract provisions are needed to protect ratepayers? What contract provisions should be avoided to limit undue barriers to these projects?

Utility Settlement and Billing

29. How will extremely small SPEED projects be allocated to utilities? (This is especially important in the context of small resources – i.e., 10kW – where a pro rata allocation could result in some utilities being allocated less than 1 kW on an hourly basis.)

30. Are there any barriers to implementation inherent in the ISO New England settlement process used by utilities to settle generation contracts and, if so, how can they be overcome?

31. How will the utility allocations be treated in the context of settlement with ISO New England?

32. How will REC's be allocated, especially in the context of utility allocations of less than 1 kW?

GMP: All REC's should be allocated the same way. Smaller project, less than 1 kW, should be aggregated before allocation to the extent possible.

33. Will a minimum generator size be required to facilitate utility settlement?

34. How will the utility generator provisions of the legislation be implemented?

- a. If CVPS and GMP build large numbers of utility owned generators, standard offer charges could be shifted to the remaining municipal and cooperative customers, skewing overall rate impacts. Should there be limits on utility offsets?

GMP: See response to 11(i).

- b. Credits received for projects developed by retail electricity providers appear to allow for a proportional reduction in obligations to receive power under the feed-in tariff program. In addition to reviewing the effects of development by retail providers on the 50 MW ceiling, how will the Board implement the adjustment for the retail electricity providers?

GMP: See response to 11(i)

Other Cost and Pricing Issues

35. How should factors like outage rates, availability, capacity factor, and generic performance criteria be used in developing the appropriate rate?

36. How should the end of life value be considered in the cost calculation for the various technologies?

- a. Should the projects become the property of the ratepayers upon the expiration of the contract?

37. Should the rate structures differentiate components of each project, such as energy, capacity, and RECs?
38. Should rates be designed to include peak and off-peak components as well as incentives to produce at the most useful times?
39. Should rates include a geographic component to promote generation in constrained areas?
40. Should property tax implications for the installation of renewable systems and income tax implications from the sale of output from the facilities be addressed in developing costs?
41. Should the rate reflect any needed system improvements resulting from the installation of a renewable system on the grid?

GMP: This would not be a reasonable factor, as interconnection costs can vary widely depending on the technology, size, distance from source, etc... Through rule 5.500 each project will be looked at on an individual basis to determine what, if any upgrades would be needed.

42. How should the contract price reflect: (1) the fact that a portion of project costs will escalate over time? (2) there may be economies of scale related to larger capacity projects?
43. Should the Board establish a Vermont-manufactured multiplier to promote the installation and use of technology manufactured in the state? If so, what level of support would be appropriate?
44. How should the Board address public (non-taxable) entities versus private (taxable) entities in determining generic costs?
45. Wind energy has different generic costs at different mean average wind speeds; how should the Board decide the appropriate state mean wind speed used to determine costs?

46. How should issues related to capital structure and financing be addressed in developing pricing information?